Overview of Management Performance

Strong performance in management areas provides a strong foundation for program performance. A Department as large as HHS must have strong management systems and controls in place in order to safeguard its assets and fulfill its mission efficiently and effectively.

The President initiated five government-wide reforms in FY 2001 to improve the management of the federal government. A brief discussion on these and additional management areas follows. Additionally, readers may refer to Appendix K for information on management performance measures and actual results for FY 2001.

Human Capital and the HHS Workforce

HHS, like most federal agencies, is facing an upsurge in retirements in the next five years that will transform our workforce. Presently, 13.5 percent (7,595) of our employees are eligible to retire. By the end of 2005, 33.6 percent of our current employees will have reached retirement eligibility. We project that by that time 19 percent (10,373) of HHS' FY 2001 employees will actually have retired. The changes in our workforce that are being driven by retirements and turnover demand that we actively manage our human capital.

The "bulge" of upcoming retirements will cut into our institutional knowledge and in-depth familiarity with the nuances of the laws and regulations of complicated federal programs. These skills are often attained only after decades of federal experience. HHS is building a pipeline of junior-level workers in order to offset impending losses. We want to ensure that we have effective capacity and institutional memory to meet our goals of serving the public and stewarding tax dollars.

Part of our human capital initiative includes building the workforce of the future, recruiting new workers and actively working to retain people with essential skills. We are also providing training and development to equip our employees with the skill sets they will need to meet future challenges. Our retention efforts are aimed at improving the quality of work life in HHS, improving the image of the federal government and HHS as an employer, and maintaining high morale among HHS employees.

The HHS emphasis on human capital recognizes the transformation occurring in the federal government toward greater emphasis on

performance and accountability and the indispensable role that our people play in achieving strategic goals and serving the public.

Our human capital initiative is aimed at making the Department more citizen-centered and responsive to the needs of our customers. HHS took a number of significant actions in FY 2001 to address these human capital challenges. Significant accomplishments included:

✹ *Preparing the first Department-wide workforce analysis which identifies cross-cutting skills sets; the anticipated impact of retirements in the next five years; and a series of discrete steps to address the potential loss of needed skills from the workforce;*

✹ *Establishing the HHS Career Intern Program as one way to increase entry-level hiring to replace retiring older workers. The first Career Intern Class will be hired in FY 2002;*

✹ *Developing workforce restructuring plans in each OPDIV to re-direct human capital toward mission-related activities, consolidate administrative operations, reduce management layers and achieve economies of scale;*

✹ *Establishing performance contracts for all senior leadership for the FY 2002 performance cycle; and*

✹ *Launching the HHS Learning Portal on the Internet (part of the HHS Distributed Learning Network) to make learning, information, and collaborative tools available to employees wherever and whenever needed. Currently, 12,000 HHS employees have access to more than 1,300 on-line courses and several hundred employees are participating in six pilot Communities of Practice through the Learning Portal.*

Competitive Sourcing and Procurement Management

In FY 2001, nearly 700 HHS contracting personnel awarded and administered over 230,000 procurement actions (excluding purchase card transactions), worth more than $5.0 billion. Also, HHS obligated an additional $1.63 billion from the Medicare Trust Funds for contracts with Medicare intermediaries and carriers. These procurement actions and contracts helped to meet the Secretary's goals of ensuring cost-effective health care and human services; ensuring the integrity of the Medicare Program; enhancing health promotion and disease prevention; improving access to health care for all Americans; providing adequate support for biomedical research; and implementing the Unified Financial Management System (UFMS).

Major procurement accomplishments in FY 2001 included the following:

✹ *The Department awarded over 1,400 performance-based contracts and modifications for a total of $588.6 million (excluding performance-based contracts with Medicare intermediaries and carriers); conducted a well-received Government-wide Performance-Based Contracting (PBC) seminar for the National Contract Management Association; held a successful HHS-wide conference on performance-based management; developed a PBC Lab module under its web-enabled and customer-oriented PBC Desk Reference; and strengthened its practical, hands-on PBC workshops. PBC remains one of the Administration's management priorities;*

✹ *On behalf of the Department, NIH conducted two secure, web-based, innovative "reverse auctions" for the purchase of biomedical supplies. The dynamic, real-time price competition inherent in "reverse auctions" resulted in cost savings of nearly $400,000;*

✹ *The Department overhauled and streamlined its Acquisition Regulation to focus on guiding principles and provide more decision-making discretion to OPDIV contracting officers. This*

The Department successfully negotiated a contractual mechanism to provide impartial, web-based survey services to support OPDIV implementation of our Acquisition Balanced Scorecard.

resulted in an estimated 33 percent reduction in the size of the regulation. Moreover, HHS's Acquisition Regulation was made available in electronic form to improve accessibility;

✹ *HHS used purchase cards to conduct over 680,000 micro-purchases, an increase of more than 20 percent over the prior year;*

✹ *In implementing Electronic Commerce over the past year, all 42 HHS procurement offices were successfully transitioned to the use of the FedBizOpps portal. Over 2,000 procurement opportunities (synopses and solicitations) were electronically posted;*

✹ *On behalf of the Department, CDC used its FACNET-equivalent Electronic Commerce methodology to place 86,310 routine electronic delivery orders with vaccine manufacturers and other vendors holding long-term IDIQ contracts;*

✹ *The Department submitted its third annual Commercial Activities Inventory under the FAIR Act, and achieved greater consistency among the OPDIVs in their treatment of similar functions (e.g., personnel, accounting, and budget);*

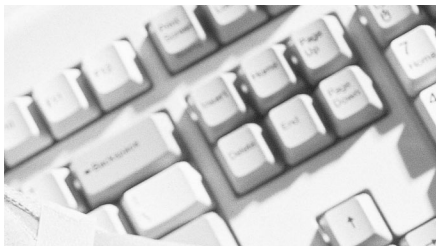
✹ *The Department successfully negotiated a contractual mechanism to provide impartial, web-based survey services to support OPDIV implementation of our Acquisition Balanced Scorecard. In addition, we obtained OMB's timely approval to conduct contractor surveys under the Scorecard;*

✹ *Using web-based and JAVA-oriented technologies, HHS continued to enhance the query and reporting capabilities of its Departmental Contracts Information System [DCIS]. This has resulted in improvements to the reliability, timeliness and utility of HHS' procurement data, as well as better support for executive decision-making. Also, the Department purchased web and database servers to enhance connectivity to the DCIS. Further, in addition to servicing its OPDIV clients and the Departments of Transportation and Treasury, HHS conducted discussions on the feasibility of providing DCIS support to Justice, NASA and Interior;*

✹ *The Department's Acquisition and Project Officer Training Program provided comprehensive, formal training for both contracting professionals and project officers. Contracting personnel used 945 training slots and project officers used 2,833 training slots. Also, HHS developed a successful executive seminar on Earned Value Project Management;*

✹ *On behalf of the Department, NIH continued to refine HHS' user-friendly Contractor Performance System—which gauges the past performance of government contractors. Also, NIH continued to add organizations to its customer base, which now includes nearly 20 Departments and major agencies; and*

✹ *HHS contracting staff took the lead in developing acquisition strategies for the two major Information Technology capital investments that serve as building blocks for the Unified Financial Management System (UFMS)—CMS' Healthcare Integrated General Ledger Accounting System (HIGLAS) and NIH's Business and Research Support System (NBRSS). Those two acquisitions were successfully accomplished, notwithstanding very complex requirements and multiple procurement protests at GAO.*



Financial Management Performance

Improving financial management is a presidential management agenda item, and has long been a goal of HHS. Regarding specific elements of the President's Management Agenda for Improving Financial Management, for the first time HHS is producing comparative financial statements in this report for the balance sheet and statement of net costs, presenting both FY 2001 and FY 2000. Regarding the issue of payment error rates, HHS has been a pioneer in the field of identifying, quantifying, and reducing payment errors in the Medicare fee-for-service program. This experience is being applied to the Medicaid program with pilot efforts. Additionally, HHS is developing plans for producing quarterly financial statements, and accelerating year-end financial reporting. The Department has made significant improvements in other financial management areas over the last several years, particularly since Department-wide financial statement audits were instituted for FY 1996.

Financial Audit Results and Internal Control Improvements

HHS has made significant improvements in internal controls and financial reporting mechanisms since FY 1996, the first year Department-wide financial statements were audited and auditors disclaimed an opinion. HHS earned its first unqualified, or "clean" audit opinion on its FY 1999 financial statements, reducing the number of audit qualifications from seven in FY 1996 to zero in FY 1999. In the two subsequent fiscal years, the Department's financial statements have been both "clean and timely" and prepared earlier than the prior year. HHS has reduced the number of department level internal control material weaknesses cited by our financial statement auditors from five in FY 1996 to two in FY 2001.

HHS Audit Findings History: FY1996- FY2001

	2001		2000		1999		1998		1997		1996	
Issue Category	Qualification	Material Weakness	Qualification	Material Weakness	Qualification	Material Weakness	Qualification	Material Weakness	Qualification	Material Weakness	Qualification	Material Weakness
Medicare Accounts Payable										X	X	X*
SMI Revenue											X	
Medicare/ Medicaid Accounts Receivable				Merged into Financial Systems and Processes material weakness		X Includes Medicare contractor receivables only, excludes Medicaid	X Includes Medicare contractor receivables only, excludes Medicaid	X Includes Medicare contractor receivables only, excludes Medicaid	X		X	X*
Cost Reports									X		X	
Net Position									X	**	X	X
Pension Liability											X	
Initial Audit											X	
Medicare EDP Controls		X		X		X		X		X		X
Grants Oversight and Accounting									X Excludes Oversight	X Excludes Oversight		X Includes Oversight
Medicare Claims Error Rate										X		X
Intra-entity Department-wide Transactions									X			
Financial Reporting Systems and Processes		X		X		X		X		X**		
New Statements							X					
Total	**0**	**2**	**0**	**2**	**0**	**3**	**2**	**3**	**5**	**5**	**7**	**5**
Resolved from Prior Year	0	0	0	1†	2	0	4	3	4	1**	N/A	N/A
New	0	0	0	0	0	0	1	0	2	1	7	5
Opinion	**Unqualified**		**Unqualified**		**Unqualified**		**Qualified**		**Qualified**		**Disclaimer**	

* Consolidated into one material weakness citing both accounts payable and receivable in FY 1996.
** Net Position issue from 1996 was consolidated into financial reporting issue in FY 1997.
† Medicare accounts receivable was merged with financial systems material weakness in FY 2000.

HHS used purchase cards to conduct over 680,000 micro-purchases, an increase of more than 20 percent over the prior year.

HHS has also improved its financial statement reporting systems since it was first identified as a material weakness by the auditors in FY 1998. In the short term, we have implemented the internet-based Automated Financial System (AFS) to facilitate HHS agency reporting for departmental consolidation purposes. However, though this system requires less manual intervention than its predecessor, it is only a short term solution for financial reporting because AFS is still manually-intensive. A long-term solution for financial management and financial reporting is being developed.

New Departmental Financial Management System

Consistent with the President's Management Agenda under the improving financial performance initiative, HHS has announced a "One Department" approach to information technology which emphasizes management of resources on an enterprise basis with a common infrastructure. In FY 2001, HHS initiated a six-year project to implement a Unified Financial Management System (UFMS) to replace five legacy systems and integrate two major sub-systems. Specifically, HHS will have one financial management system comprised of two major sub-components. One sub-component will be for CMS and the Medicare Contractors called the Healthcare Integrated General Ledger and Accounting System (HIGLAS), and another sub-component for the rest of HHS will both be integrated into a Department reporting system. This unified system will be designed to automate all internal and external financial reporting needs.

Cost accounting is a key element in determining the effectiveness of programs and the impact on those programs if funding is increased or decreased. We are currently determining the management cost accounting requirements for the UFMS that will support decision-making and accountability with the capability of linking HHS financial costs with program performance and budget information. This linkage is another of the President's Management Agenda items.

The goal of UFMS is to provide the full HHS portion of costs for services and products that influence program outcomes, and be a standard, efficient system that can accrue costs spent throughout HHS on Departmental programs or initiatives. The system will provide HHS managers with timely and complete HHS cost information with which to help monitor and improve their program results, plus integrate budget and performance.

In moving forward with the UFMS initiative, we have established a Program Management Office (PMO) and team to oversee the design and implementation of the unified system. Under the tutelage of the PMO, we are developing the business case for the system. Through the business case process we will clearly define the vision, goals and objectives for UFMS. We will develop an implementation plan, identify our risks as well as risk mitigation plans, determine our cost benefit and our return on investment and develop our performance measurements.

Debt Collection

A major financial management priority for the Department is its debt management programs. HHS' debt collection efforts focus on the provisions of the Debt Collection Improvement Act (DCIA) of 1996. Delinquent debts owed to all HHS components continue to be referred to the Department of the Treasury for collection. Treasury has designated the Program Support Center (PSC) as a debt collection center for several types of program debts (e.g. Medicare Secondary Payer, unfiled Medicare cost reports and various health professional loans). HHS centralized DCIA debt management operations in the PSC. The PSC applies a number of debt collection tools before referring these debts to Treasury's Treasury Offset Program (TOP) for collection. HHS also assists states in the collection of delinquent child support when delinquent debts are referred to TOP for collection. HHS and Treasury cooperation in the overall debt collection effort has resulted in:

- *Decreasing HHS FY 2001 total receivables by $1.2 billion from the FY 2000 balance;*
- *Increasing the overall HHS referral rate for collection for FY 2001 by 23.8 percent. The overall referral rate for HHS is expected to increase dramatically in FY 2002 when the Centers for Medicare & Medicaid Services (CMS) is scheduled to refer 100 percent of its debts;*
- *Achieving HHS total collections in excess of $14.4 billion or 52 percent of total receivables ($27.9 billion) in FY 2001. This compares favorably to the government-wide collection rate of 26 percent for the same period; and*
- *Disbursing $1.64 billion to the states through TOP from the offset of federal tax and non-tax payments in FY 2001 to reduce child support obligations.*

The HHS e-Gov Vision is to use information technology in concert with the Department's program and management priorities to create "One-HHS."

HHS Agency Financial Management Accomplishments and Initiatives

Additional financial management accomplishments occurred at the HHS agency level where five HHS components have accounting operations. Some of their financial management accomplishments include the following:

- The Office of the Secretary (OS) launched the Department's Unified Financial Management System initiative during FY 2001, a critical element in implementing the Secretary's "One HHS" vision. The system will replace five legacy systems currently used across the Operating Divisions. Once fully implemented, UFMS will integrate the Department's financial management systems structure and provide HHS leaders and managers a corporate view of critical financial management information, including costs incurred on HHS programs. During the fiscal year, the OS:
  - Established the strategic direction and overall goal for the UFMS effort;
  - Developed a concept of operations to support the business case for the system;
  - Established the management structure for overseeing and guiding the effort;
  - Worked with OMB officials to gain approval to fund the effort; and
  - Began financial transaction and account analyses to support the "to be" configuration and structure of the system.
- CMS has established a HIGLAS Program Office to manage all aspects of the HIGLAS project, a key sub-component of the UFMS;
- CMS' expansion efforts of the debt referral process resulted in an additional $2.1 billion of delinquent debt being referred to the HHS Program Support Center and Treasury for further collection activity;
- CMS revised and clarified financial reporting and debt collection policies and procedures based on findings from previous CFO audits, oversight reviews, and systems (SAS 70) reviews. CMS also published an Accounting Procedures Manual, which will ensure that similar transactions are treated consistently and that accounting principles in use are proper;
- NIH initiated a review to address and resolve the material weakness cited in the audit of the NIH's FY 2000 financial statements. The review included NIH, HHS, and contract audit staffs. It focused on the methodology and discipline applied to the NIH's fiscal year closing process. As a result of these efforts, NIH implemented numerous additional analyses and reconciliations; NIH implemented a new, more disciplined and controlled process to prepare the trial balances from which NIH prepares the agency's financial statements, and identified additional needs for improvement for which NIH has already begun work. For example, NIH validated and changed, as appropriate, certain internal processes, and provided more training to accounting staff;
- NIH implemented a new web-based tool that allows analysis of all general ledger accounts on line. This tool quickly allows the user to review individual general ledger accounts by transaction codes. This has allowed NIH to correct and compensate for some of the deficiencies noted by its auditors. The information is more reliable and available in a timely manner for review and reporting purposes;
- NIH has completed the automation of the new loan repayment program;
- NIH completed the automation of the new royalty inventor payment system;
- FDA developed a new training manual on procedures for implementing reimbursable inter-agency agreements where FDA receives income from other agencies. Training sessions were conducted for all FDA components;
- FDA is implementing "Travel Manager," an off-the-shelf software system throughout FDA, to automate the travel process;
- CDC modified its budget structure for the first time in 30 years to align it more closely with its organizational structure;
- CDC had developed, with assistance from specialized consultants and accountants, a new method for allocating indirect costs. This method, which will be implemented during FY 2002, will directly link users of centrally mandated services — the normal, recurring expenses such as GSA rental payments, utilities, postage, maintenance, security services, and departmental assessments — with the costs of performing those services;
- CDC has begun working to enhance and improve its fiscal management activities in areas such as core accounting competencies, professional staff recruitment, financial systems, training, and customer service. A key CDC priority is strengthening its accounting staff by recruiting and hiring qualified experienced accountants, certified government financial managers, and certified public accountants;
- PSC's Division of Cost Allocation (DCA) completed over 1,895 grant and contract negotiation assignments that produced $559 million in cost avoidance and negotiated cash refunds of approximately $87 million;
- PSC referred more than $300 million in delinquent debt owed by customers to the Treasury Offset Program for additional collection activity;
- PSC implemented a major upgrade to Gov.net® in July 2000. Initial estimates of annualized savings indicate $320,000 direct savings to customers in ADP costs from the NIH/CIT. Gov.net® enables customers to acquire reports within 1-2 working days after the end of a reporting period, versus 5-7 days required under the manual distribution method. Reports are retained in Gov.net® indefinitely, allowing customers to immediately review reports crossing multiple reporting periods. All weekly, monthly, and yearly ledger and document-level reports, as well as payroll reports are distributed via Gov.net®

  July 2001 – Major upgrade to Gov.net® provided customers the capability of downloading "flat files" (record-type files in comma delimited format) of select reports directly to their local hard drive where they can view them in Excel, Access, or other spreadsheet applications;
- PSC's Division of Financial Operations (DFO) acquired a commercial off-the-shelf (COTS) package called MACCS (Managing/Accounting Credit Card System), to support credit card activity for the PSC and its customers;

  MACCS provides far better transaction level information, easier reconciliation, better reporting options, and direct transfer of transaction information into other accounting and management systems. The MACCS system has resulted in significant cost savings by enabling electronic receipt of invoices, greatly improving the efficiency of the purchase card transaction review process, and providing faster payment. In addition, the system permits electronic posting of obligation and payment transactions to the central accounting system (CORE); and
- PSC processed 281,000 payment transactions totaling more than $218 billion in grant funds. PSC also added 3,077 grant recipient accounts for a total of more than 26,900 customers.

Network modernization is a critical engine for change in HHS. A first step in this project was the development of an IT inventory that identifies opportunities for modernization and consolidation.

Electronic Government and Information Systems Management

The HHS e-Gov Vision is to use information technology in concert with the Department's program and management priorities to create "One-HHS." Having "One-HHS" closes the performance gap and will provide seamless and integrated services to our constituents. The "One-HHS" program fulfills the ultimate vision of e-Gov to create a virtual pool of government information and services available from throughout HHS and accessible by all constituents. Aggregation and consolidation of HHS IT initiatives will result in a more cost efficient IT structure at HHS along with more unified, responsive access by the public to HHS services. All levels of HHS will collaborate as equal partners to provide citizen-centric services with the result of reducing burdens on businesses, increasing customer satisfaction, improving knowledge management, and pursuing a unified strategy in the Department.

The following are examples of cross-cutting e-Gov investments:

✹**E-grants.** HHS is leading the Administration's effort to streamline the grants process. This initiative is mandated by Public Law 106-107 to streamline, simplify, and provide electronic options for the grants management processes employed by the federal agencies and to improve the delivery of services to the public.

✹**E-training.** HHS has a Distributed Learning Network (DL\net) making skills training and performance support available electronically to HHS employees. This project provides the infrastructure and support for continuous, just-in-time, cost-effective learning to enhance mission achievement.

✹**KnowNet.** The Department's award winning knowledge management and performance support system supports federal/state/local government employees, contractors, and grantees in the core business areas of acquisition, grants, logistics, finance, small business, audit resolution/cost policy, and e-Business.

In HHS, information technology is the key to providing better government services at reduced costs and is the foundation for efforts to re-engineer HHS. The Secretary's goal is to administer HHS' information technologies as a single corporate enterprise. The two top priorities in this corporate enterprise are IT security and network modernization.

With regard to IT security in September 2001, a contract was awarded to: prepare a concept of operations for Department-wide computer security incident response system that leverages existing capability; train all HHS employees in security awareness; and assess enterprise security risk. Ten security projects have been approved for immediate development and funding. Key actions included: installation of multi-tier virus protection across HHS; vulnerability scans of critical HHS systems; establishment of round-the-clock monitoring of security alerts; and perimeter protection for all Internet access points.

Network modernization is a critical engine for change in HHS. A first step in this project was the development of an IT inventory that identifies opportunities for modernization and consolidation. An asset tracking system has been installed which details all network connected devices Department-wide, and the inventory is complete. This inventory provides critical information necessary for the network modernization and consolidations of asset projects. Successful implementation of this enterprise project is building confidence for future efforts.

E-mail services for the Office of the Secretary (OS) will be consolidated at NIH; the OS Network will be consolidated at NIH. Consolidation of additional infrastructure systems in HHS is underway. Circuitry consolidation is a high priority now that the asset inventory is complete.

Cross-Cutting Functionality

A significant return on investment can be made by achieving economies of scale through consolidation of duplicative systems while providing improved service delivery. Currently the three efforts where enterprise-level system consolidation is underway at HHS are the Unified Financial Management System (UFMS), Enterprise Human Resources and Payroll System (EHRP), and the HHS Web Portal.

✹**Unified Financial Management System**

HHS will adopt a unified financial management system to replace five legacy systems. Specifically, HHS will

have one financial management system comprised of two major sub-components—one for CMS and the Medicare contractors called the Healthcare Integrated General Ledger and Accounting System (HIGLAS) and the other for the rest of HHS. Both components will feed into a Department reporting system. The Department has established a Program Management Office to manage this project.

✹Enterprise Human Resources System

The Enterprise Human Resource Planning (EHRP) and Time and Attendance System will be an integrated, Web-based HR/Payroll system that provides managers and employees with intuitive, user-friendly, real-time desktop access to strategic HR information and processes. The EHRP initiative furthers the Department's goals and principles, notably, in the areas of enterprise, architecture consolidation, and creation of a "One-HHS."

✹HHS Web Portal to the Internet

HHS is creating an HHS Web Portal supporting a direct path for the American People. The web citizen-centric focus is defined as having a programmatic link to health initiatives for improving and expanding access to quality health care, and human services initiatives for increasing support for America's children and families.

Centralization of IT Funding

The HHS CIO is aggregating some agency IT infrastructure resources and will make them available for central management of enterprise projects. This methodology will ensure economies of scale for the crosscutting IT projects in HHS.

Using Information Technology to Better Serve our Customers

Many efforts are underway, at the HHS agency-level, to provide government services over the Internet and through alternative approaches. Some agency web sites primarily provide information; some go further, offering a variety of opportunities for the public to participate in interactive discussions, download forms, and/or apply for government services. The Department of Health and Human Services (HHS) has long been using electronic means to provide a variety of services to our customers. Some examples of these recent HHS e-Gov successes are presented below:

✹Health Alert Network (HAN)

HAN is a nationwide, integrated information and communications system serving as a platform for distribution of health alerts, dissemination of prevention guidelines and other information, distance learning, national disease surveillance, and electronic laboratory reporting, and for CDC's bioterrorism and other initiatives to strengthen state and local preparedness. The network proved to be a significant resource and communication tool for HHS in the wake of recent terrorist activity.

✹IntraMall

In the e-procurement area, the NIH IntraMall is at the leading edge of government e-commerce. The IntraMall is a fully functional web-based system available to meet all NIH and other HHS agency program needs, and become the Government's largest online purchasing system with over 1.7 million commodity products available.

✹Grants Administration, Tracking and Evaluation System

Grants Administration, Tracking and Evaluation System. The Administration for Children and Families' (ACF) main business is the administration of about 5,500 grants with a value of $35 billion. The awards under the grant programs are both discretionary and mandatory. The Grants Administration, Tracking and Evaluation System (GATES) is used by grants officers and specialists throughout ACF to manage their grant programs and process grant applications from receipt through award. It is one of the electronic grants systems being used within the Department. Financial information about grants is exchanged with the CORE accounting system daily as the status of grant applications change. GATES provides a single source of data improving consistency, accuracy and reliability of information relied upon by senior policy executives, program managers and staff to make decisions, direct programs and determine the appropriateness of strategic ACF objectives. Replacement of obsolete technology ensures continuing maintenance support from vendors and reduces operating costs. Upgrading the technology infrastructure also improves the timeliness of information provided to ACF users at all levels and helps ensure that GATES and other systems are available and accessible when needed. The realization of GATES directly contributes to the efficiency and effectiveness of ACF staff in delivering its services to clients and in reporting performance and results to Congress, the President and the public. Similar systems are operational in other HHS agencies.

✹Integrated Time and Attendance System

PSC has implemented an Integrated Time and Attendance System (ITAS), which provides virtual linkage of, leave requests, approvals and pay records to move the management of time and attendance to the desktop of employees and managers.

✹Electronic Insurance Validation And Verification

The Indian Health Service (IHS) has worked in collaboration with the U.S. Treasury to implement an electronic data exchange for the use of an electronic lockbox for payment processing to automate and reduce medical claim processing time while increasing accounting efficiency. The IHS now uses electronic insurance validation and verification for patient insurance.

The HHS CIO has aggregated agency IT infrastructure resources and will make them available for central management of enterprise projects. This methodology will ensure economies of scale for the crosscutting IT projects in HHS.

✹Knowledge Exchange Network

The Substance Abuse and Mental Health Services Administration (SAMSHA) participates in the Knowledge Exchange Network (KEN) which employs a web site to make available extensive information (in both English and Spanish) about mental health service programs to include a mental health service locator, consumer/survivor information, and pertinent publications. SAMSHA is aggressively using information technology to facilitate the transfer of prevention knowledge to States, communities, and individuals; and to improve program effectiveness and accountability at all levels. A major effort to this end is the web-based Decision Support System, which assists people in the development of effective prevention programs at the community, regional, and state levels.

✹Electronic Freedom of Information

HHS agencies are implementing the Electronic Freedom of Information Act. As an example, FDA has long worked with industry to harmonize information technology standards and implement electronic data exchange capabilities. A new focus on electronic regulatory submission and review resulted in partnerships between FDA and industry to improve the delivery of safe and regulated products to market by reducing cycle time and lower electronic submission costs. FDA has implemented the Electronic Freedom of Information Act; frequently requested and other public documents are available in an electronic format.

✹Medicare Current Beneficiary Survey

Since 1996, Medicare Current Beneficiary Survey (MCBS) through the CMS web site has been used to collect information about the availability to and use of the Internet by Medicare Beneficiaries. The CMS Office of Strategic Planning has established a web page on the CMS web site to communicate information concerning the MCBS. The page provides an overview of the MCBS, disseminates data and findings from the survey, and provides copies of the survey instruments and data files documentation along with frequency counts for the survey questions. CMS is pursuing improvements to its public web sites on a continual basis. These efforts include the addition of new interactive databases as well as the development of web-based decision tools for helping beneficiaries compare their health plan choices. CMS has recently developed a central database for all State Plan Amendments (SPA) and waivers submitted by States.

✹National Electronic Disease Surveillance Systems (NEDSS)

NEDSS and the electronic communications systems which support it are being developed to address this identified priority in CDC's strategic plan: the creation of integrated public health information and surveillance systems. The purpose is to tie together the current myriad, separate systems used for public health surveillance (at the federal and state levels) into a comprehensive solution that facilitates the efficient collection, analysis, and use of data and the sharing of computer software solutions across disease-specific program areas. Further, the system uses the Internet for the dissemination of important information on the practice of public health. CDC has also been a leader in PKI with over 3,000 digital certificates having been issued by CDC with our state and local health department business partners. This is part of what CDC has termed the secure data network (SDN) for public health surveillance over the Internet.

✹HHS Agency Web Sites

The NIH and CDC have been and continue to be an active leader and innovator in Electronic-Government (e-Gov). For example, the NIH and CDC web sites are consistently ranked among the top five most frequently referenced federal web sites, and NIH was recently rated the #1 health web site.

Integration of Budget and Performance

HHS continues to strengthen the integration of budget and performance. HHS was one of the first Departments to add tables to its GPRA Annual Performance Reports that explicitly associate resource dollars and performance measures, and we continued to refine that relationship in FY 2001. For example, the $1.1 billion allocated to funding Health Centers and the National Health Service Corps contributed to (among other activities) serving almost 11 million uninsured and underserved people in Health Centers. It also contributed to more women receiving PAP tests, mammograms, and clinical breast exams at those Health Centers.

Although we work in a challenging environment where health outcomes may not be apparent for several years, and the Federal dollar may be just one input to complex programs, HHS is committed to demonstrating to the taxpayer the value they receive for the tax dollars they pay.

Leading up to FY 2001, we made adjustments to the Annual Plans to communicate more clearly. In FY 2001, for the first time, the Secretary's Budget Council used performance data to inform their budget deliberations. We also began compiling program results across HHS and by agency. HHS' GPRA effort is committed to collecting and portraying performance information so that managers can develop more effective programs and decision makers can put scarce resources where they will do the most good.

As designated by OMB, HHS is the lead agency managing the Federal Grant Streamlining Program (FGSP).

Mandatory Grants

Mandatory grants are those that a federal agency is required by statute to award if the recipients, usually states, submit acceptable state plans or applications, and meet the eligibility and compliance requirements of the statutory and regulatory provisions of the grant program. In the past, mandatory grants were sometimes referred to as "formula grants." Mandatory grants include block grants, closed-ended grants, and open-ended entitlement grants. In FY 2000, mandatory grants comprised 87 percent of the total HHS grant funds, but only 7 percent of the total number of grant awards. (FY 2001 figures are not available as this report goes to print.)

Discretionary Grants

Discretionary grants permit the federal government, according to specific authorizing legislation, to exercise judgment, or "discretion," in selecting the applicant/recipient organizations, through a competitive grant process. The types of activities commonly supported by discretionary grants include demonstration, research, training, service, and construction projects or programs. Discretionary grants are sometimes referred to as "project grants." In FY 2000, discretionary grant awards comprise only 13 percent of the total HHS grant funds, but they account for 92 percent of the total number of HHS grant awards. (FY 2001 figures are not available as this report goes to print.)

Grants Management

As the largest granting component in the Federal Government, HHS plays a key role in federal grants management. Through over 300 assistance programs, HHS awards more than $184 billion of the total Federal grants awarded (estimated to be $325 billion).

Grant awards are financial assistance that provide support or stimulation to accomplish a public purpose. Awards include grants and other agreements in the form of money, or property in lieu of money, to a eligible recipients. Most of the HHS grant dollars awarded are in the form of mandatory grants.

Stewardship and oversight responsibilities for HHS grant programs involve a variety of administrative functions performed on an ongoing basis. These administrative functions include: assisting OMB in its revisions of key OMB Circulars pertinent to grants administration; providing training and developing related guidance documents on these revised OMB Circulars; conducting oversight through a "balanced scorecard" approach; strengthening HHS indirect cost negotiation capabilities; updating internal Departmental grants administrative procedures; and utilizing a department-wide grants management information system to organize and consolidate grant award data across all HHS grant programs.

As designated by OMB, HHS is the lead agency managing the Federal Grant Streamlining Program (FGSP). The FGSP is a Federal government-wide effort required by Public Law 106-107, the Federal Financial Assistance Management Improvement Act of 1999, to streamline, simplify, and provide electronic options for the grants management processes employed by the Federal agencies and to improve the delivery of services to the public. Additionally, HHS is undertaking several other grants consolidation initiatives within the Department, including: moratoriums on the creation of new grants offices and new electronic grants systems; accelerated annual grant planning; streamlining the competitive application review process; consolidation of functions (e.g., indirect cost rate negotiation; information technology commodities, services and other office supplies); and workforce restructuring.

HHS continues to operate the Tracking Accountability in Government Grants System (TAGGS) containing department-wide grants award information. Access to TAGGS information is available to HHS staff via the Department's Intranet. Our GrantsNet web site (www.hhs.gov/grantsnet) continues to provide public access to up-to-date policies, regulations, and other pertinent grants-related information.

Highlights of FY 2000 grant awards include the following:

- *HHS awarded almost $184.7 billion in grants; this included both discretionary awards totaling $24.7 billion and mandatory awards totaling over $160.0 billion.*

- *CMS, which administers the Medicaid Program, awarded 66 percent ($122.2 billion) of the total grant funds, representing less than 1 percent of the total number of grants. ACF awarded the next highest percentage (20 percent, $37.8 billion) of the total grant funds, representing 11 percent of the total number of grants.*

HHS continues to operate the Tracking Accountability in Government Grants System (TAGGS) containing department-wide grants award information.

✹ *The other ten agencies awarded between 1 and 7 percent of the remaining 14 percent of grant funds.*

✹ *NIH awarded 69 percent (44,334) of the total number of grants, which is 60 percent of the discretionary grant funds, but only 7 percent of the total grant funds. The remaining agencies awarded between 1 and 11 percent of the total number of grants.*

✹ *The six states receiving the most HHS mandatory grant funds (in billions) in FY 2000 are New York ($20.6), California ($19.3), Texas ($8.8), Pennsylvania ($7.8), Ohio ($6.4), and Florida ($6.3).*

FY 2000 Grant Awards

	Total Grants		Mandatory Grants		Discretionary Grants	
Agency	Number	Dollars (in millions)	Number	Dollars (in millions)	Number	Dollars (in millions)
ACF	7,281	$37,803	2,878	$33,545	4,403	$4,258
AHRQ	557	104	0	0	557	104
AOA	793	917	553	877	240	41
CDC	2,888	2,584	61	105	2,827	2,479
CMS	439	122,220	325	122,190	114	30
FDA	179	26	0	0	179	26
HRSA	5,482	3,908	112	626	5,370	3,281
IHS	581	756	539	751	42	5
NIH	44,334	13,696	0	0	44,334	13,696
OS	414	267	0	0	414	267
SAMHSA	1,485	2,372	231	1,913	1,254	459
TOTAL	**64,433**	**$184,654**	**4,699**	**$160,008**	**59,734**	**$24,646**

The grants data provided in this report reflect awards made during FY 2000, since FY 2001 data is in the process of full reconciliation. The data will not necessarily agree exactly with the FY 2000 budget and accounting records (e.g., Medicaid's accounting adjustments) for several reasons. First, in some instances the data for awarded grants reflect, in addition to current year funds, the reobligations of prior years' funds. Second, costs of furnishing personnel in lieu of cash are included in the grants data, but are recorded as personnel service costs in accounting records. Third, grants jointly funded are included in accounting records, but are not included herein unless awards are made by HHS programs. The number of grants is a count of projects or programs receiving grant funds, and is therefore less than a count of grant actions, since there may be multiple actions for a project in any fiscal year.

Faith-Based and Community Initiatives

Faith-based and community organizations have a long history of providing essential services to people in need in the United States. In recognition of the unique ability that these organizations have to meet the special needs of their communities, the Bush Administration has made improving funding opportunities for faith-based and community organizations a priority. Through the President's faith-based and community initiative, the administration is working to remove unnecessary barriers that may prevent these organizations from receiving federal funding, creating a "level playing field" between faith-based and community organizations and other groups that use federal funds in delivering services.

On January 29, 2001, President Bush issued an Executive Order directing the Secretary of HHS, as well as the heads of the Departments of Justice, Education, Labor, and Housing and Urban Development, to establish within each Department a Center for Faith-Based and Community Initiatives (Cabinet Centers).

As specified in the President's Executive Order, responsibilities of this center include:

Identifying existing barriers to the participation of faith-based and community organizations in the delivery of social services by the department;

Coordinating a comprehensive departmental effort to incorporate faith-based and other community organizations in department programs and initiatives to the greatest extent possible; and

HHS is leading the Administration's effort to streamline the grants process.

Proposing the development of programs to increase the participation of faith-based and other community organizations in federal, state and local initiatives.

Secretary Thompson appointed the heads of the HHS' components to form the initial workgroup for this initiative. Liaisons at the highest level were subsequently appointed within each division to work with the HHS Centers to perform an internal program review. Programs selected for review included those funding streams governed by Charitable Choice (1996 legislation providing that community-serving faith-based organizations may seek federal support for the provision of certain social services); areas where we expected there to be faith-based and community involvement; and in program areas where we thought there would be more involvement than is currently indicated. Eighty of the Department's grant programs were selected for review representing both discretionary and block grant programs. The Center staff reviewed approximately one third of them; 11 programs were reviewed in depth. Many of the rest will be reviewed over the course of the next year.

Physical Infrastructure and IT Security

Through Presidential Decision Directive (PDD) 63 and the Government Information Security Reform Act (GISRA), the Federal Government was mandated to assess and report on the vulnerability of controls in place to protect assets critical to the Nation's well being. The events of September 11 greatly heightened the importance of protecting physical and cyber-based systems essential to the minimum operations of the economy and Government. Due to its major responsibilities for public health and safety, the Department has been identified as a Tier I agency, signifying a dramatic negative national impact should HHS systems be compromised.

Immediately following the attacks on the World Trade Center and the Pentagon, the Office of the Secretary (OS) organized a Departmental Physical Security Work Group (Group). The primary task of the Group was to develop a department-wide policy on minimum security standards based on the recommendations provided in the Department of Justice's (DOJ) Vulnerability Assessment of Federal Facilities guidelines. The Group continues to address security issues such as contractor clearance procedures and access control in our laboratories, hospitals and research facilities to ensure the safety and security of our personnel and property. In addition to the above efforts, all new or renewal leases are now reviewed by the Office of the Assistant Secretary for Administration and Management to ensure that the HHS security needs are reflected accurately in the lease.

The Physical Security Work Group has been instrumental in upgrading security measures throughout HHS and is working with the Department Physical Security Office to continuously improve current policies and processes. Increasing the number of security guards at all building entrances and visual inspection of all vehicles entering the garage including undercarriage inspection are two examples of the numerous increases in security operations.

At NIH, three groups with interlocked membership are operating to manage security planning, policy, and operations along with a Security Task Force, they are working to protect employees and NIH property. The NIH police force has secured the perimeters of the campus.

The OIG was asked to review security at HHS laboratory facilities. These recommendations support the Administrtion's security funding request and the plan for how those funds will be used. HHS agencies received $4.75 million in emergency funds to heighten short-term guard service in September 2001, and an additional $84 million in FY 2002 Emergency Response Funding in the Defense Appropriation bill; this includes $46 million for CDC, $25 million for NIH, and $13 million for FDA. Each agency has reviewed the OIG recommendations and established a prioirty list for security improvements. One example of implemented findings is CDC's establishment of a temporary transhipment center to keep non-federal vehicles away from the laboratory core of its Atlanta campus. CDC will be using FY 2002 Emergency Response Funds to construct a permanent transhipment center.

The Department's Chief Information Officers (CIO) Council (whose members are the HHS Agency CIOs) have developed an Information Technology Security Strategic Plan that will enable a resilient, effective, and adaptive IT security posture for the Department. The plan addresses all aspects of the Department's IT security infrastructure including telecommunications network modernization, security policy modernization, evolving capabilities of security technology, IT risk management, IT security training, and IT system survivability concepts.